

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7338**

**BILL NUMBER:** SB 227

**NOTE PREPARED:** Jan 1, 2007

**BILL AMENDED:**

**SUBJECT:** Unemployment Insurance.

**FIRST AUTHOR:** Sen. Simpson

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** *Base Period:* This bill establishes an alternative method of determining the base period for unemployment compensation benefits.

*Part-Time Employees:* The bill provides that an individual who is otherwise eligible for benefits is not ineligible because the individual is: (1) a part-time worker; or (2) available for or seeking part-time work as long as the part-time work is for at least 20 hours per week.

*Wages:* The bill provides that under certain circumstances, the definition of "wages" for unemployment compensation does not include \$9,000 paid in a calendar year to an individual by an employer or the employer's predecessor.

*One-Week Waiting Period:* The bill repeals the one-week waiting period for payment of benefits.

The bill also makes conforming changes.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** *Base Period:* The bill modifies the definition of base period in some special cases. Currently, the base period for the determination of benefits is the first four of the last five complete quarters preceding the time the individual's claim is filed. The bill provides that when the wage credits are insufficient, then the most recent four quarters are used. The percentage of claims ineligible due to not having enough wage credits has averaged about 11% over the last five years. New claims over the five years was about 261,000 per year. Assuming that the current number of claims ineligible because of

insufficient wage credits would be eligible under the bill to receive the minimum benefit of \$50 per week for an average of 13.1 weeks, the bill would increase expenditures by about \$18.8 M ( $\$50 \times 261,000 \times 0.11 \times 13.1$ ) from the Unemployment Insurance Benefit Fund.

*Part-Time Employees:* It is unknown the number of individuals that are ineligible for benefits because they were a part-time employee.

*One-Week Waiting Period:* The elimination of the one-week waiting period for unemployment compensation will have an impact on the total amount of Unemployment Insurance Benefit Trust Fund benefits paid. The impact depends on the number of claims that do not exhaust their benefits and the average benefit of those claims. There are approximately 110,000 claims annually that do not exhaust their benefits. The average weekly benefits are about \$285. Assuming about 110,000 individuals would have received one additional week of benefits of \$285, the impact would be about \$31.4 M ( $110,000 \times \$285$ ) from the Unemployment Insurance Benefit Fund.

The balance in the Unemployment Insurance Benefit Fund as of June 30, 2006, was about \$583.7 M, and benefits paid were about \$649.2 M.

The state spent approximately \$8.4 M for FY 2006 on unemployment insurance benefits.

**Explanation of State Revenues:** *Wages:* The bill provides that the definition of wages for calculation of employer contributions is increased from the first \$7,000 to \$9,000 of wages. During FY 2006, the state received about \$613.8 M in contributions. The increase in contributions would have been about \$175.4 M for FY 2006.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** All.

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.